Frank Ix & Sons Virginia Corp. v. Commissioner, 7 T.C. 597 (1946)

A taxpayer seeking to exclude deductions for declared value excess profits taxes as abnormal in computing base period income for excess profits tax credit purposes must prove that the abnormality or excess is not a consequence of an increase in gross income during the base period.

Summary

Frank Ix & Sons Virginia Corp. sought to exclude deductions for declared value excess profits taxes paid in 1937 and 1939 as abnormal deductions when calculating its base period income for excess profits tax credit. The Tax Court ruled against the corporation, holding that it failed to demonstrate that the increase in these deductions was not a consequence of an increase in its gross income during the relevant base period, as required by Section 711(b)(1)(K)(ii) of the Internal Revenue Code. This case highlights the taxpayer's burden of proof in demonstrating the absence of a relationship between increased gross income and claimed abnormal deductions.

Facts

Frank Ix & Sons Virginia Corp. paid declared value excess profits taxes in 1937 and 1939. The corporation sought to deduct these taxes as

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